

Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
AID-05 COME-00 EB-08 FRB-03 TRSE-00 XMB-02 OPIC-03
LAB-04 SIL-01 OMB-01 AGRE-00 CEA-01 STR-04 /097 W
-----041906Z 025547 /42

R 041739Z MAR 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 6179
INFO AMEMBASSY LONDON
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USNMR SHAPE
AMCONSUL FRANKFURT
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DEPARTMENT PASS TREASURY, FRB AND CEA

E.O. 11652: N/A
TAGS: ECON, EFIN, GW
SUBJECT: 1976 QUARTERLY GNP DEVELOPMENT:
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HOW STRONG WAS THE FOURTH QUARTER?

1. SUMMARY: THE SEASONALLY ADJUSTED FOURTH QUARTER
GNP DATA RECENTLY PUBLISHED BY THE BUNDESBANK AND THE
BERLIN INSTITUTE (DIW), WHICH BOTH SHOWED A PICK UP IN
PACE FROM THE THIRD QUARTER PAUSE, NEVERTHELESS DID PRO-
VIDE SOME INTERESTING ANALYTICAL CONTRAST. WHILE BOTH

SERIES INDICATE THE SAME FOURTH QUARTER GROWTH RATES, IF NO ADJUSTMENTS FOR VARIATIONS IN WORKING DAYS ARE MADE, THE BUNDESBANK FIGURES SHOW A MUCH STRONGER GROWTH (6 PERCENT S.A.A.R.) THAN THE DIW ON (2.1 PERCENT S.A.A.R.) IF ADJUSTMENT IS MADE FOR WORKING DAY VARIATIONS. FURTHERMORE, THE REGULARLY PUBLISHED (NON-WORKING-DAY VARIATION ADJUSTED) GNP SERIES OF THE BUNDESBANK REFLECTS STILL HIGHER (7.4 PERCENT S.A.A.R.) GROWTH RATE, WHICH, HOWEVER, EVEN THE BUNDESBANK ITSELF BELIEVES TO OVERSTATE THE UNDERLYING GROWTH TREND OF THE ECONOMY. END SUMMARY.

2. WHILE THE REGULAR BUNDESBANK SEASONALLY ADJUSTED GNP SERIES (REIHE 4) IS MORE WIDELY ACCEPTED THAN THAT OF DIW, IT DOES NOT, HOWEVER, CORRECT FOR VARIATIONS IN THE NUMBER OF WORKING DAYS. THE REGULAR DIW SERIES DOES. SINCE THERE WERE 2 PERCENT MORE WORKING DAYS THAN NORMALLY IN 1976'S FOURTH QUARTER, THIS IS A SIGNIFICANT FACTOR. THE BUNDESBANK'S 7.4 PERCENT SEASONALLY ADJUSTED ANNUAL RATE (S.A.A.R.) OF REAL GNP GROWTH FOR THE FOURTH QUARTER DIFFERS GREATLY WITH THE DIW CALCULATION OF A 2.1 PERCENT RATE (SEE TABLES I AND II). EVEN THOUGH IT IS LESSER KNOWN, WE CITE THE DIW SERIES BECAUSE OF THE SIZEABLE DISCREPANCY IN THE FINDINGS.

3. IF THE DIW'S DATA WERE NOT MODIFIED TO CORRECT FOR WORKING DAY VARIATIONS, IT WOULD ALSO REFLECT A 7.4 PERCENT RATE (SEE TABLE III). THE BUNDESBANK IN ITS FEBRUARY MONTHLY REPORT ROUGHLY ADJUSTS ITS QUARTERLY GNP FIGURES FOR WORKING DAY VARIATIONS (NO DISAGGREGATED LIMITED OFFICIAL USE

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DATA PROVIDED) AND ON THIS BASIS ARRIVES AT A ROUNDED 6 PERCENT (S.A.A.R.) FOR THE FOURTH QUARTER. WHICH ADJUSTED MEASURE IS A MORE ACCURATE INDICATOR OF AGGREGATE ECONOMIC ACTIVITY -- 6 PERCENT OR 2 PERCENT -- IS DIFFICULT TO ASCERTAIN. A LOOK AT THE BUNDESBANK INDUSTRIAL PRODUCTION INDEX GAIN OF 9.6 PERCENT (S.A.A.R. AND ADJUSTED FOR WORKING DAY VARIATIONS) IN THE FOURTH QUARTER MIGHT SUGGEST THE FORMER. HOWEVER, IN THE SECOND QUARTER WHEN INDUSTRIAL PRODUCTION ROSE 11 PERCENT, THE BUNDESBANK ROUGH CALCULATION OF WORKING-DAY-ADJUSTED GNP GROWTH WAS 4 PERCENT.

4. FULLY ONE HALF OF GERMAN FOURTH QUARTER GROWTH STEMMED FROM A POSITIVE SWING IN INVENTORY CHANGES, ACCORDING TO THE REGULAR BUNDESBANK NON-WORKING DAY ADJUSTED SERIES. ON THE OTHER HAND, THE DIW SOURCE SHOWED A NEGATIVE SWING IN INVENTORIES OF ALMOST AN EQUAL MAGNITUDE. BOTH THE BUNDESBANK AND DIW REFLECTED NEGATIVE SWINGS IN THE NET FOREIGN BALANCE, BUT THE

LATTER WAS MUCH LARGER. THESE ARE THE PRINCIPAL
REASONS FOR THE GREAT APPARENT DIFFERENCES IN THE FOURTH

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R 041739Z MAR 77
FM AMEMBASSY BONN
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QUARTER BOTTOM LINE FINDINGS OF THE TWO INSTITUTIONS.

5. PRIVATE CONSUMPTION AND FIXED INVESTMENT SHOWED
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UPWARD TRENDING STRENGTH IN BOTH THE BUNDESBANK AND DIW SERIES, ALTHOUGH THE LATTER PICTURED A MORE IMPRESSIVE PERFORMANCE. THE FOURTH QUARTER REVIVAL IN THESE TWO KEY GNP COMPONENTS AFTER A DREARY THIRD QUARTER IS PERHAPS THE MOST ENCOURAGING SIGN TO BE READ IN THE DATA AND PORTENDS WELL FOR THE FUTURE.

6. BOTH THE BUNDESBANK AND DIW HAVE A TOTAL GNP (NON-WORKDAY ADJUSTED) FOR THE YEAR IN EXCESS OF THAT PUBLISHED BY THE FEDERAL STATISTICAL OFFICE. IN 1962 PRICES, AND DM BILLION THEY REPORTED 609.2, AND 609.4, RESPECTIVELY AS COMPARED TO 608.4 REPORTED BY THE STATISTICAL OFFICE. WE CONTACTED THE FEDERAL STATISTICAL OFFICE TO ASK WHETHER THEY WERE REVISING THEIR PREVIOUSLY PUBLISHED (SEE BONN 541) FIGURES. THEY RESPONDED AFFIRMATIVELY WITH RESPECT TO DISTRIBUTION AMONGST THE COMPONENTS, BUT THAT THE TOTAL AND ANNUAL REAL GROWTH RATE OF 5.6 PERCENT WOULD REMAIN UNCHANGED. THE HEAD OF THE NATIONAL ACCOUNTING SECTION TOLD US THAT THE NET FOREIGN BALANCE WOULD BE REDUCED AND INVESTMENT IN MACHINERY AND EQUIPMENT INCREASED SOMEWHAT FROM WHAT WAS EARLIER REPORTED. (BOTH THE BUNDESBANK AND DIW SEEM TO HAVE ALREADY MADE SIMILAR IF NOT IDENTICAL ADJUSTMENTS IN THEIR SEASONALLY ADJUSTED SERIES.) AS SOON AS THE PRECISE REVISED (NON-SEASONALLY ADJUSTED) DATA BECOMES AVAILABLE IT WILL BE TRANSMITTED.

7. COMMENT: SOME KNOWLEDGEABLE GERMAN ANALYSTS SPECULATE THAT THE BUNDESBANK FOURTH QUARTER GROWTH FIGURES (WHETHER OR NOT ADJUSTED FOR WORKING DAYS) WILL TURN OUT TO BE ON THE HIGH SIDE AND THAT THE BUNDESBANK WILL PROBABLY EVENTUALLY REVISE ITS 1976 QUARTERLY DATA IN SUCH A WAY AS TO BOOST THE THIRD QUARTER PERFORMANCE AND REDUCE THAT THAT THEY INDICATED FOR THE FOURTH QUARTER AND WHICH IS REPORTED IN THIS CABLE.

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8. PERTINENT TABLES FOLLOW:

TABLE I
BUNDESBANK 1976 GNP QUARTERLY GROWTH RATES (S.A.A.R.)
-- 1962 PRICES --
NOT CORRECTED FOR WORKING DAY VARIATIONS
(PERCENT)

	I	II	II	IV
	-----	-----	-----	-----

PRIVATE CONSUMPTION	4.1	0.0	2.2	5.8
PUBLIC CONSUMPTION	9.1	-3.6	0.0	0.0
TOTAL FIXED				
INVESTMENT	0.0	7.0	-3.4	6.9
MACHINERY AND				
EQUIPMENT	6.6	0.0	-6.5	6.6
CONSTRUCTION	-7.5	15.2	0.0	7.4
INVENTORY CHANGES				
(DM BILLION)	(16.0)	(8.8)	(8.4)	(14.0)
NET FOREIGN BALANCE				
(DM BILLION)	(13.2)	(12.4)	(14.0)	(12.0)
EXPORTS	15.2	7.3	14.4	10.4
IMPORTS	17.0	9.3	12.2	14.8
GNP	7.0	2.7	1.3	7.4

TABLE II

DIW 1976 GNP QUARTERLY GROWTH RATES (S.A.A.R.)

-- 1962 PRICES --

CORRECTED FOR WORKING DAY VARIATIONS
(PERCENT)

	I	II	III	IV
	-----	-----	-----	-----

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PRIVATE CONSUMPTION	2.3	1.8	0.5	9.0
PUBLIC CONSUMPTION	0.0	3.6	3.6	0.0
TOTAL FIXED				
INVESTMENT	0.0	9.4	-5.8	12.8
MACHINERY AND				
EQUIPMENT	11.2	0.4	10.8	15.6
CONSTRUCTION	-12.3	15.2	0.0	9.5

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INVENTORY CHANGES
(DM BILLION) (4.0) (4.8) (7.2) (3.2)
NET FOREIGN BALANCE
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(DM BILLION)	(10.0)	(14.4)	(15.2)	(10.0)
EXPORTS	7.5	14.8	10.0	7.5
IMPORTS	10.5	7.0	9.1	17.8
GNP	4.9	7.3	1.3	2.1

TABLE III
QUARTERLY GNP GROWTH RATES (S.A.A.R.)
WITH AND WITHOUT WORKING DAY VARIATION ADJUSTMENT

-- 1962 PRICES --
(PERCENT)

	I	II	III	IV
	-----	-----	-----	-----

WITH WORKING DAY
VARIATION ADJUST-
MENT

BUNDESBANK 1)	4.0	4.0	2.0	6.0
DIW	4.9	7.3	1.3	2.1

WITHOUT WORKING DAY
VARIATION ADJUST-
MENT

BUNDESBANK	7.0	2.7	1.3	7.4
DIW	7.1	4.8	1.1	7.4

1) VERY ROUGHLY ROUNDED; NEITHER
COMPONENT RATES NOR ABSOLUTE
DATA FROM WHICH DERIVED PUBLISHED;
METHODOLOGY NOT SPECIFIED.

TABLE IV
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BUNDESBANK FOURTH QUARTER 1976
SEASONALLY ADJUSTED ABSOLUTE GNP DATA
NOT CORRECTED FOR WORKING DAY VARIATIONS
(DM BILLION -- 1962 PRICES)

FOURTH QUARTER

PRIVATE CONSUMPTION	90.8
PUBLIC CONSUMPTION	22.3
TOTAL FIXED INVESTMENT	35.3
MACHINERY AND EQUIPMENT	18.6
CONSTRUCTION	16.7
INVENTORY CHANGES	3.5
NET FOREIGN BALANCE	3.0
EXPORTS	59.2
IMPORTS	56.2
GNP	154.9

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC DEVELOPMENT, GNP, DATA, ECONOMIC REPORTS, ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Sent Date: 04-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BONN03972
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770075-0734
Format: TEL
From: BONN
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770394/aaaadesx.tel
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Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
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Page Count: 8
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Reference: n/a
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Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 23-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
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SAS ID: 3212122
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Status: NATIVE
Subject: 1976 QUARTERLY GNP DEVELOPMENT: LIMITED OFFICIAL USE LIMITED OFFICIAL USE
TAGS: ECON, EFIN, GE
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/a2ef37be-c288-dd11-92da-001cc4696bcc
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